

Whenever the market price, plus or minus premiums, of live hogs is less than or equal to \$36.00 cwt., Morrell will pay the producer based on a \$36.00/cwt. price, and will increase the balance due Morrell on the producer's ledger account by the difference. Whenever the market price, plus or minus premiums, of live hogs is greater than \$36.00 cwt. Morrell will apply the difference between the amount paid and \$36.00 cwt. to reduce or eliminate the balance due Morrell in the producer's ledger account.

John Morrell will send out quarterly statements showing hog purchases during each quarter setting fourth current ledger account balances. Unless producer notifies Morrell in writing within 10 days the statement will be deemed correct.

At the end of the contract period, if the producer's ledger account shows a negative balance, then the producer will pay this amount to Morrell in cash, without interest, within 30 days.

MARKET PRICE DEFINED

For purposes of this program, market price refers to the mid-morning (11:00 a.m.) Iowa Minnesota weighted average (as quoted on the D.T.N.) on a three-day average prior to the kill date.

Example (for hogs killed on Friday):

Tuesday quote	IA/MN WA \$44.59
Wednesday quote	IA/MN WA \$45.27
Thursday quote	IA/MN WA \$43.92

Market price (based on three-day average) is: \$44.59

All prices referenced herein are for plant-delivered market hogs at Morrell's facilities at either Sioux Falls, South Dakota, or Sioux City, Iowa. Destinations and delivery dates must be approved by Morrell prior to each delivery. Morrell reserves the right to direct the delivery of hogs to facilities other than the one facility referenced to on Participation Agreement as "primary delivery facility" at any time, in which event Morrell will adjust the price payable hereunder to fully compensate the producer for any difference in freight charges incurred.

Prices under this program will be determined in conjunction with the carcass merit program of Morrell in effect at the time of delivery. Morrell reserves the right to modify its carcass merit program at any time during the term to respond to changes in industry standards, product marketability, and advances in evaluation procedures.